

CITY OF BAXTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

CITY OF BAXTER

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CITY OF BAXTER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gennypher Popenhagen.....	Mayor.	Jan 2022
Josh Meckley.....	Mayor Pro-Tem/Council Member.....	Jan 2022
Bryce Halter.....	Council Member.....	Jan 2022
Dan Kunkel.	Council Member.....	Jan 2022
Tootie Samson.....	Council Member.....	Jan 2024
Jason Robinson.	Council Member.....	Jan 2024
Peg Kimberley.....	City Clerk.	Indefinite
Randy Caldwell.....	City Attorney.....	Indefinite

City of Baxter



MARTENS & COMPANY, CPA, LLP

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West Des Moines, Iowa 50266

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Baxter, Iowa, as of and for the year ended June 30, 2020 and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for the component units be reported with the financial data for the City's primary government unless the City also issues financial statements

for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Qualified Opinion

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances as of July 1, 2019.

Qualified Opinions

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2019, as discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Baxter as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baxter’s basic financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of the City Contributions on pages 42 through 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2021 on our consideration of the City of Baxter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Baxter's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa

February 17, 2021

City of Baxter

Basic Financial Statements

CITY OF BAXTER

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 233,460	\$ 334	\$ 19,727	\$ -
Public works	138,739	-	142,475	-
Health and social services	1,320	2,275	-	-
Culture and recreation	70,573	2,800	14,478	-
Community and economic development	6,786	-	5,056	-
General government	82,601	7,777	-	-
Debt service	130,086	-	-	-
Capital projects	118,228	-	-	5,156
Total governmental activities	<u>781,793</u>	<u>13,186</u>	<u>181,736</u>	<u>5,156</u>
Business type activities:				
Water	195,138	244,744	13,390	-
Sewer	368,321	448,180	-	-
Landfill	85,414	94,156	1,856	-
Storm water	11,903	17,361	-	-
Total business type activities	<u>660,776</u>	<u>804,441</u>	<u>15,246</u>	<u>-</u>
Total	<u>\$ 1,442,569</u>	<u>\$ 817,627</u>	<u>\$ 196,982</u>	<u>\$ 5,156</u>

General receipts and transfers:

Property and other city tax levied for:

- General purposes
- Debt service
- Tax increment financing
- Other city tax
- Local option Sales Tax
- Commercial/ industrial tax replacement
- Unrestricted interest on investments
- Rent
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable

Cemetery perpetual care

Expendable:

Streets

Urban renewal purposes

Customer meter deposits

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (213,399)	\$ -	\$ (213,399)
3,736	-	3,736
955	-	955
(53,295)	-	(53,295)
(6,786)	-	(6,786)
(69,768)	-	(69,768)
(130,086)	-	(130,086)
(113,072)	-	(113,072)
(581,715)	-	(581,715)
-	62,996	62,996
-	79,859	79,859
-	10,598	10,598
-	5,458	5,458
-	158,911	158,911
(581,715)	158,911	(422,804)
284,663	-	284,663
11,414	-	11,414
144,019	-	144,019
6,386	-	6,386
101,398	-	101,398
6,586	-	6,586
8,705	1,918	10,623
2,105	-	2,105
1,036	-	1,036
112,960	(112,960)	-
679,672	(111,042)	568,230
97,557	47,869	145,426
555,512	689,366	1,244,878
\$ 653,069	\$ 737,235	\$1,390,304
\$ 57,438	\$ -	\$ 57,438
336,567	-	336,568
196,380	-	196,380
-	67,542	67,542
29,003	-	29,003
33,680	669,693	703,373
\$ 653,069	\$ 737,235	\$1,390,304

CITY OF BAXTER

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2020

		<u>Special Revenue</u>
	General	Special Rev Road Use Tax
Receipts:		
Property tax	\$ 221,965	\$ -
Tax increment financing	-	-
Other City tax	55,664	50,699
Licenses and permits	6,607	-
Uses of money and property	14,900	-
Intergovernmental	15,796	142,125
Charges for service	1,170	-
Miscellaneous	30,611	350
Total receipts	<u>346,713</u>	<u>193,174</u>
Disbursements:		
Operating:		
Public safety	193,594	-
Public works	-	130,289
Health and social services	1,320	-
Culture and recreation	66,137	-
Community and economic development	1,786	-
General government	62,773	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>325,610</u>	<u>130,289</u>
Excess (deficiency) of receipts over (under) disbursements	<u>21,103</u>	<u>62,885</u>
Other financing sources (uses):		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Change in cash balances	21,103	62,885
Cash balances beginning of year	<u>12,577</u>	<u>273,683</u>
Cash balances end of year	<u>\$ 33,680</u>	<u>\$ 336,568</u>
Cash Basis Fund Balances		
Nonspendable		
Perpetual Care	\$ -	\$ -
Restricted for:		
Streets	-	336,568
Urban renewal projects	-	-
Other	-	-
Unassigned	<u>33,680</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 33,680</u>	<u>\$ 336,568</u>

See notes to financial statements.

<u>Special Revenue</u>				
Urban Renewal Tax Increment	Capital Projects	Debt Service	Nonmajor	Total
\$ -	\$ -	\$ 11,414	\$ 62,698	\$ 296,077
144,019	-	-	-	144,019
-	-	215	1,406	107,984
-	-	-	-	6,607
-	-	137	-	15,037
-	-	-	897	158,818
-	-	-	-	1,170
-	5,157	-	560	36,678
144,019	5,157	11,766	65,561	766,390
-	-	-	39,866	233,460
-	-	-	8,450	138,739
-	-	-	-	1,320
-	-	-	4,436	70,573
5,000	-	-	-	6,786
-	-	-	19,828	82,601
-	-	130,086	-	130,086
-	118,228	-	-	118,228
5,000	118,228	130,086	72,580	781,793
139,019	(113,071)	(118,320)	(7,019)	(15,403)
-	112,960	119,982	-	232,942
(119,982)	-	-	-	(119,982)
(119,982)	112,960	119,982	-	112,960
19,037	(111)	1,662	(7,019)	97,557
177,343	111	(1,662)	93,460	555,512
\$ 196,380	\$ -	\$ -	\$ 86,441	\$ 653,069
\$ -	\$ -	\$ -	\$ 57,438	\$ 57,438
-	-	-	-	336,568
196,380	-	-	-	196,380
-	-	-	29,003	29,003
-	-	-	-	33,680
\$ 196,380	\$ -	\$ -	\$ 86,441	\$ 653,069

CITY OF BAXTER

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise				
	Water	Sewer	Landfill	Non Major Storm Water	Total
Operating receipts:					
Charges for service	\$244,744	\$448,180	\$ 94,156	\$ 17,361	\$804,441
Miscellaneous	13,390	-	1,856	-	15,246
Total operating receipts	258,134	448,180	96,012	17,361	819,687
Operating disbursements:					
Business type activities:	146,613	151,551	85,414	11,903	395,481
Total operating disbursements	146,613	151,551	85,414	11,903	395,481
Excess of operating receipts over operating disbursements	111,521	296,629	10,598	5,458	424,206
Non-operating receipts (disbursements):					
Interest on Investments	1,259	659	-	-	1,918
Debt Service	(48,525)	(216,770)	-	-	(265,295)
Net non-operating receipts (disbursements)	(47,266)	(216,111)	-	-	(263,377)
Excess of receipts over operating disbursements	64,255	80,518	10,598	5,458	160,829
Transfers out	(2,900)	(110,060)	-	-	(112,960)
Changes in cash balances	61,355	(29,542)	10,598	5,458	47,869
Cash balances beginning of year	225,627	317,575	146,164	-	689,366
Cash balances end of year	\$286,982	\$288,033	\$156,762	\$ 5,458	\$737,235
Cash Basis Fund Balances					
Restricted for customer meter deposits	\$ 67,542	\$ -	\$ -	\$ -	\$ 67,542
Unrestricted	219,440	288,033	156,762	5,458	669,693
Total cash basis fund balances	\$286,992	\$288,033	\$156,762	\$ 5,458	\$737,235

See notes to financial statements.

CITY OF BAXTER

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Baxter (City) is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1894 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and do not include the City's component units. The component units discussed below are not included in the City's reporting entity although the operational or financial relationship with the City is significant.

Excluded Component Units

The Friends of the Baxter City Community Library was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Baxter City Community Library is to support the activities of the Baxter City, Iowa library.

The Baxter Economic Development Corporation is a not-for-profit corporation organized for the purpose of performing specific economic development activities within the City of Baxter. The Baxter Economic Development Corporation has a fiscal year end that is different from that of the primary government.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following Boards: E911 Joint Service Board and Economic Development Corporation.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

The City joined with West Malaka Benefitted Fire District to finance the operations for fire suppression and emergency response for all rural property within the Benefitted fire district. The City and District share in the cost of operating a fire department based upon a running five year average based on total taxable property valuations, annual total of fire and rescue calls, and homestead tax credits within the area. The agreement covers the fiscal year ending June 30, 2012 and is renewed on an annual basis. During the year ended June 30, 2020, the City paid \$32,530 to the District.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the operation of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(2) Cash and Pooled Investments - Continued

commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Government activities:					
General obligation bonds	\$ 85,000	\$ -	\$ 10,000	\$ 75,000	\$ 10,000
Governmental activities total	\$ 85,000	\$ -	\$ 10,000	\$ 75,000	\$ 10,000
Business type activities:					
Water revenue notes	\$ 338,989	\$ -	\$ 39,562	\$ 299,427	\$144,895
Sewer revenue notes	2,689,250	-	216,000	2,473,250	322,250
Business type activities total	\$ 3,028,239	\$ -	\$ 255,562	\$ 2,772,677	\$467,145

General Obligation Bond

A summary of the City's June 30, 2020 general obligation bond payable is as follows:

Year Ending June 30,	Economic Development Series 2016 Issued November 1, 2016		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2021	1.75%	\$ 10,000	\$1,605
2022	1.875	10,000	1,430
2023	2.00	10,000	1,243
2024	2.125	11,000	1,042
2025	2.25	11,000	809
2026-2030	2.375-2.50	23,000	861
Total		\$ 75,000	\$6,900

General Obligation Bonds

On November 1, 2016, the City issued \$104,000 of General Obligation Bonds at interest rates ranging from 1.625% to 2.50% per annum. The bonds were issued for Economic Development. During the year ended June 30, 2020 the City paid \$10,000 of principal and \$1,767 of interest on the bonds.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 and \$272,000 in water revenue bonds issued in September 1982 and February 2010, respectively. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$198,177. For the current year, principal and interest paid and customer net receipts were \$51,540 and \$11,521, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,272,000 in sewer revenue bonds issued in March 2007, January 2008, February 2010 and May 2012. Proceeds from the bonds provided financing for the lagoon system. The bonds are payable solely from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,372,000. For the current year, principal and interest paid and customer net receipts were \$183,573 and \$296,629, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a) The bonds will only be redeemed from the future earnings of each enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- c) Water and sewer user rates shall be established and charged to customers at least sufficient to pay the expenses of operation and maintenance of each enterprise and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds falling due in the same year. During the year the City did not meet this test for sewer rates due principally to the delay in determining debt service and new sewer rates acquired upon completion of the sewer improvement project.

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Water Project Bonds Issued November 23, 1982		
	Interest Rate	Principal	Interest
2021	5.00%	\$ 27,587	\$ 2,058
2022	5.00	13,590	680
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031	-	-	-
Total		\$ <u>41,177</u>	\$ <u>2,738</u>

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Revenue Bonds and Notes - Continued

Year Ending June 30,	Sewer - SRF Issued March 15, 2007		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 16,000	\$ 1,872
2022	1.75	17,000	1,592
2023	1.75	18,000	1,295
2024	1.75	18,000	980
2025	1.75	19,000	729
2026-2030	1.75	19,000	332
2031	1.75	-	-
Total		\$ <u>107,000</u>	\$ <u>6,800</u>

Year Ending June 30,	Sewer - SRF Issued January 29, 2008		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 45,000	\$ 6,172
2022	1.75	47,000	5,320
2023	1.75	48,000	4,498
2024	1.75	50,000	3,658
2025	1.75	51,000	2,782
2026-2030	1.75	108,000	2,852
2031	1.75	-	-
Total		\$ <u>349,000</u>	\$ <u>25,282</u>

Year Ending June 30,	Sewer - SRF 2010A Issued February 12, 2010		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 82,000	\$ 18,690
2022	1.75	85,000	17,255
2023	1.75	88,000	15,766
2024	1.75	91,000	14,228
2025	1.75	93,000	12,635
2026-2030	1.75	516,000	37,537
2031	1.75	113,000	1,977
Total		\$ <u>1,068,000</u>	\$ <u>118,088</u>

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Revenue Bonds and Notes - Continued

Water- SRF Series 2010 A Issued February 12, 2010			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	1.75%	\$ 14,000	\$ 2,748
2022	1.75	14,000	2,502
2023	1.75	14,000	2,258
2024	1.75	15,000	2,012
2025	1.75	15,000	1,750
2026-2030	1.75	85,000	4,567
2031	1.75	-	-
Total		\$ <u>157,000</u>	\$ <u>15,837</u>

Sewer - SRF Series 2010 B Issued February 12, 2010			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	1.75%	\$ 55,000	\$ 9,870
2022	1.75	57,000	8,908
2023	1.75	59,000	7,910
2024	1.75	60,000	6,878
2025	1.75	62,000	5,827
2026-2030	1.75	271,000	12,058
2031	1.75	-	-
Total		\$ <u>564,000</u>	\$ <u>51,451</u>

Sewer- SRF Issued January 21, 2012			
Year Ending June 30,	Interest Rate	Principal	Interest
2021	1.75%	\$ 23,000	\$ 4,970
2022	1.75	24,000	4,568
2023	1.75	24,000	4,147
2024	1.75	25,000	3,727
2025	1.75	25,000	3,290
2026-2030	1.75	134,000	9,461
2031	1.75	29,000	507
Total		\$ <u>284,000</u>	\$ <u>30,670</u>

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Revenue Bonds and Notes - Continued

Year Ending June 30,	Sewer SRF - IFA Interim Issued June 30, 2017		
	Interest Rate	Principal	Interest
2021	- %	\$ 101,250	\$ -
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031	-	-	-
Total		\$ <u>101,250</u>	\$ <u>-</u>

Year Ending June 30,	Sewer - SRF IFA Interim Issued June 30, 2017		
	Interest Rate	Principal	Interest
2021	- %	\$ 101,250	\$ -
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	-	-	-
2031	-	-	-
Total		\$ <u>101,250</u>	\$ <u>-</u>

Year Ending June 30,	Total Water		
	Interest Rate	Principal	Interest
2021	1.75 - 5.00%	\$ 142,837	\$ 4,808
2022	1.75 - 5.00	27,590	3,182
2023	1.75	14,000	2,258
2024	1.75	15,000	2,012
2025	1.75	15,000	1,770
2026-2030	1.75	85,000	4,545
2031		-	-
Total		\$ <u>299,427</u>	\$ <u>18,575</u>

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Total Sewer		
	Interest Rate	Principal	Interest
2021	1.75%	\$ 322,250	\$ 41,574
2022	1.75	230,000	37,643
2023	1.75	237,000	33,616
2024	1.75	244,000	29,471
2025	1.75	250,000	25,263
2026-2030	1.75	1,048,000	62,747
2031		142,000	1,977
Total		<u>\$2,473,250</u>	<u>\$ 232,291</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 465,087	\$ 46,382	\$ 511,469
2022	257,590	40,825	298,415
2023	251,000	35,874	286,874
2024	259,000	31,483	290,483
2025	265,000	27,033	292,033
2026-2030	1,133,000	67,292	1,200,292
2031	142,000	1,977	143,977
Total	<u>\$ 2,772,677</u>	<u>\$ 250,866</u>	<u>\$3,023,543</u>

Business Type Revenue Bonds

On November 23, 1982, the City issued \$500,000 of Water Revenue Bonds at 5% interest rate per annum. The Bonds were issued for the purpose of paying costs of improvements and extensions to the Municipal Water Utility. During the year ended June 30, 2020, the City paid \$26,562 of principal and \$3,438 of interest of the bonds.

On March 15, 2007, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$295,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of sludge removal. During the year ended June 30, 2020, the City paid \$16,000 principal and \$2,152 of interest on the bonds.

On January 29, 2008, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$795,000 with the interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of sewer rehabilitation. During the year ended June 30, 2020, the City paid \$44,000 in principal and \$6,878 of interest.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Business Type Revenue Bonds - Continued

On February 10, 2010, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$1,702,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing waste water. During the year ended June 30, 2020, the City paid \$80,000 principal and \$34,440 of interest on the bonds.

On February 10, 2010, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$272,000 with the interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing new water mains. During the year ended June 30, 2020, the City paid \$13,000 in principal and \$5,100 of interest.

On February 12, 2010, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$1,025,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing storm water improvements. During the year ended June 30, 2020, the City paid \$53,000 principal and \$18,510 of interest on the bonds.

On December 21, 2012, the City entered into a loan agreement with Iowa Finance Authority (IFA) and Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$455,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new waste water main. During the year ended June 30, 2020, the City paid \$23,000 in principal and \$5,373 of interest.

On June 30, 2017, the City entered into a water loan and disbursement agreement anticipation project note with the Iowa Finance Authority (IFA) for the issuance of water notes up to \$101,250 at no interest rate. The notes were issued to pay authorized costs in connection with planning and designing improvements and extensions to the utility. During the year ended June 30, 2020, the City paid no principal on the loan.

On June 30, 2017, the City entered into a sewer loan and disbursement agreement anticipation project note with the Iowa Finance Authority (IFA) for the issuance of sewer bonds up to \$101,250 at no interest rate. The notes were issued to pay improvements and extensions to the utility. During the year ended June 30, 2020, the City paid no principal on the loan.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City of Baxter, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire after reaching age 50 with 22 more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$28,234.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$155,298 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0025364% which was an increase of 0.000082% from its proportion measured at June 30, 2018.

For the year ended June 30, 2020 the City of Baxter pension expense, deferred outflows of resources and deferred inflows of resources totaled \$32,493, \$28,445 and \$35,547, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Health annuitant tables with MP-2017 generational adjustments.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Baxter's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Baxter's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City of Baxter's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City of Baxter's proportionate share of the net pension liability	\$289,329	\$146,872	\$27,416

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(5) Lease

The City entered into a 12 month lease agreement on July 1, 2019 to lease 1,800 square feet of office/storage space to operate and manage the Baxter Police Department. The Police Department moved out on June 30, 2020 into City owned space, thereby ceasing to pay rent expense. During the fiscal year, total disbursements incurred in relation to this agreement were \$7,800.

(6) Other Post-Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$20,387 and plan members eligible for benefits contributed \$5,809 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participant must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>3</u>
Total	<u>3</u>

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned termination payments payable to employees at June 30, 2020 is Vacation \$10,344, Sick Comp \$42,082 and Comp \$8,741.35. This liability has been computed based on rates of pay in effect at June 30, 2020.

The City's policy allows employees who had previously accrued unused sick leave, up to a maximum of 720 hours. To use the hourly rate of pay used for the payment of unused sick leave would be the hourly pay in effect at the date of retirement. Employees eligible are employees, who had accrued this benefit, retire from the City, and have unused sick leave hours on the date of retirement. Based on the rates of pay in effect at June 30, 2020, the unused sick leave maximum liability to the City is \$42,082 at June 30, 2020.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Capital Projects Funds	Enterprise	
	Water	\$ 2,900
	Sewer	<u>110,060</u>
		112,960
Debt Service Funds	Special Revenue	
	Tax Increment Financing	<u>119,982</u>
	Total	<u>\$ 232,942</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Development Agreements

The City has entered into a development agreement with a developer for the construction of a housing project. The City agrees to pay the developer an amount not to exceed \$300,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments provided the developer is in compliance with terms of the agreement.

During the year, the City rebated \$45,267 to the developers. The outstanding balance of the agreements at June 30, 2020 with fixed dollar commitments was \$254,733.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(11) Tax Abatements - Continued

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$7,906 property tax under the urban renewal and economic development agreements.

(12) Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Code of Iowa Section 28E, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill (Landfill). State and federal laws and regulations required the Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 46% of the Landfill has been filled and the estimated total liability for such is \$6,114,980, based on 2020 cost estimates. Actual costs may be higher due to inflation, technology changes and changes in regulations.

The Code of Iowa requires the Landfill to maintain separate closure and postclosure care accounts to accumulate resources for the payment of these costs. As of June 30, 2020, \$2,461,957 has been accumulated. Since the estimated closure and postclosure costs have not been fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test assurance mechanism and has met the requirement issued by the Iowa Department of Natural Resources. The unfunded liability will be funded over the estimated remaining life of the Landfill. In the event it is not adequately funded, the 28E agreement makes the City of Baxter responsible for 2.11% of the unfunded liability, or approximately \$77,079, based on the June 30, 2020 information. The City's proportionate share is updated annually in accordance with the agreement.

In FY23-24 the amount to be transferred to the closure/post closure decreases from \$200,000 a year, to \$50,000 per year. This is due to anticipation of closure of cell areas B & C around this time. Once closed those large B & C cells, this will significantly reduce the amount of closure/post closure required by the IDNR, which may have the landfill very near being fully funded in the closure/post closure account.

(13) Contingencies

The COVID-19 outbreak is disrupting business across a range of industries in the United States. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future development, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City operations and finances.

CITY OF BAXTER

Notes to Financial Statements - Continued

June 30, 2020

(14) Litigation

The City is subject to pending litigation seeking compensatory damages. An update of the claims and status of the issues cannot be provided as the claims against the City are being handled by the City's insurance counsel.

(15) Subsequent Events

The City has evaluated all subsequent events through February 17, 2021 the date the financial statements were available to be issued.

On July 14, 2020, the Board of Directors of the Iowa Regional Utilities Association agreed to the sale of water to the City of Baxter. On August 20, 2020, the City Council of Baxter agreed to purchase water from the Association in the amount of Baxter's peak day volume of 160,000 gallons.

The initial term of this Agreement shall end at midnight on December 31, 2050 EXCEPT said initial term shall be deemed automatically renewed for successive ten (10) year terms unless either party gives notice to the other party of the termination of this Agreement as hereinafter provided. For the initial term of this Agreement, such notice of termination must be given on or before December 31, 2048. For each renewal term of this Agreement, such notice must be given at least two (2) years before the termination date of the renewal term.

(16) Prospective accounting change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement was implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

CITY OF BAXTER

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$296,077	\$ -	\$ 296,077
Tax increment financing collections	144,019	-	144,019
Other City tax	107,984	-	107,984
Licenses and permits	6,607	-	6,607
Uses of money and property	15,037	1,918	16,955
Intergovernmental	158,818	-	158,818
Charges for service	1,170	804,441	805,611
Miscellaneous	36,678	15,246	51,924
Total receipts	766,390	821,605	1,587,995
Disbursements:			
Public safety	233,460	-	233,460
Public works	138,739	-	138,739
Health and social services	1,320	-	1,320
Culture and recreation	70,573	-	70,573
Community and economic development	6,786	-	6,786
General government	82,601	-	82,601
Debt service	130,086	-	130,086
Capital projects	118,228	-	118,228
Business type activities	-	660,776	660,776
Total disbursements	781,793	660,776	1,442,569
Excess (deficiency) of receipts over (under) disbursements	(15,403)	160,829	145,426
Other financing sources (uses), net	112,960	(112,960)	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	97,557	47,869	145,426
Balances beginning of year	555,512	689,366	1,244,878
Balances end of year	\$653,069	\$737,235	\$1,390,304

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 300,392	\$ 300,392	\$ (4,315)
144,870	144,870	(851)
102,054	102,054	5,930
3,065	4,512	2,095
9,830	11,312	5,643
156,835	158,835	(17)
845,765	965,993	(160,382)
11,660	28,042	23,882
1,574,471	1,716,010	(128,015)
228,597	238,850	5,390
182,009	182,009	43,270
2,100	2,100	780
77,747	77,747	7,174
6,639	6,848	62
108,177	108,177	25,576
156,320	156,320	26,234
-	118,228	-
747,976	747,976	87,200
1,509,565	1,638,255	195,686
64,906	77,755	67,671
2,100	-	-
67,006	77,755	67,671
1,188,704	1,188,704	56,174
\$1,255,710	\$1,266,459	\$ 123,845

CITY OF BAXTER

Notes To Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$128,690. This budget amendment is reflected in the final budgeted amounts.

CITY OF BAXTER

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Year Ended June 30, 2020*
(In Thousands)

Other Information

	<u>2020</u>
City's proportion of the net pension liability	0.0025364%
City's proportionate share of the net pension liability	\$147
City's covered payroll	\$215
City's proportionate share of the net pension liability as a percentage of its covered payroll	68.37%
IPERS' net position as a percentage of the total pension liability	85.45%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Only one year is presented because prior years were not audited.

See accompanying independent auditor's report.

CITY OF BAXTER

Schedule of City of Baxter's Contributions

Iowa Public Employees' Retirement System
As of and for the Year Ended June 30, 2020*
(In Thousands)

Other Information

	<u>2020</u>
Statutorily required contribution	\$ 28
Contributions in relation to the statutorily required contribution	<u>(28)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City of Baxter's covered payroll	\$ 295
Contributions as a percentage of covered payroll	9.49%

*Only one year is presented because prior years were not audited.

See accompanying independent auditor's report.

CITY OF BAXTER

Notes to Other Information - Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

CITY OF BAXTER

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue	Permanent	
	Employee		
	Benefits	Cemetery	Total
Receipts:			
Property tax	\$ 62,698	\$ -	\$ 62,698
Other City tax	1,406	-	1,406
Intergovernmental	897	-	897
Miscellaneous	-	560	560
Total receipts	65,001	560	65,561
Disbursements:			
Operating:			
Public safety	39,866	-	39,866
Public works	8,450	-	8,450
Culture and recreation	4,436	-	4,436
General government	19,828	-	19,828
Total disbursements	72,580	-	72,580
Excess (deficiency) of receipts over (under) disbursements	(7,579)	560	(7,019)
Other financing sources (uses):	-	-	-
Total other financing sources (uses)	-	-	-
Change in cash balances	(7,579)	560	(7,019)
Cash balances beginning of year	36,582	56,878	93,460
Cash balances end of year	\$ 29,003	\$ 57,438	\$ 86,441
Cash Basis Fund Balances			
Nonspendable			
Perpetual care	\$ -	\$ 57,438	\$ 57,438
Restricted for			
Other	29,003	-	29,003
Total cash basis fund balances	\$ 29,003	\$ 57,438	\$ 86,441

See accompanying independent auditor's reports.

CITY OF BAXTER

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Economic Development Bond Series 2016	Nov 1, 2016	1.625-2.50%	\$ 104,000
Revenue bond notes:			
Water project bond	Nov 23, 1982	5.00	500,000
Sewer - SRF	Mar 15, 2007	1.75	295,000
Sewer - SRF	Jan 29, 2008	1.75	795,000
Sewer - SRF - Series 2010A	Feb 12, 2010	1.75	1,702,000
Water - SRF - Series 2010A	Feb 10, 2010	1.75	272,000
Sewer - SRF - Series 2010B	Feb 12, 2010	1.75	1,025,000
Sewer - SRF	Jan 21, 2012	1.75	455,000
Sewer - SRF IFA Interim	Jun 30, 2017		101,250
Water - SRF IFA Interim	Jun 30, 2017		101,250

Total

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 85,000	\$ -	\$ 10,000	\$ 75,000	\$ 1,767
67,739	-	26,562	41,177	3,438
123,000	-	16,000	107,000	2,152
393,000	-	44,000	349,000	6,878
1,148,000	-	80,000	1,068,000	34,440
170,000	-	13,000	157,000	5,100
617,000	-	53,000	564,000	18,510
307,000	-	23,000	284,000	5,373
101,250	-	-	101,250	-
101,250	-	-	101,250	-
3,028,239	-	255,562	2,772,677	75,891
\$3,113,239	\$ -	\$265,562	\$2,847,677	\$ 77,658

CITY OF BAXTER

Bond and Note Maturities

June 30, 2020

General Obligation Note				Revenue Bonds	
Economic Development Bond Series 2016				Water Project Bond	
Year Ending June 30,	Issued		Total	November 23, 1982	
	Interest Rates	Amount		Interest Rates	Amount
2021	1.75%	\$ 10,000	\$ 10,000	5.00%	\$27,587
2022	1.875	10,000	10,000	5.00	13,590
2023	2.00	10,000	10,000		-
2024	2.125	11,000	11,000		-
2025	2.25	11,000	11,000		-
2026	2.375	11,000	11,000		-
2027	2.50	12,000	12,000		-
2028		-	-		-
2029		-	-		-
2030		-	-		-
2031		-	-		-
Total		<u>\$ 75,000</u>	<u>\$ 75,000</u>		<u>\$41,177</u>

Revenue Bonds						
Sewer - SRF 2010A			Sewer - SRF 2010B		Sewer - SRF	
Year Ending June 30,	Issued February 12, 2010		Issued February 12, 2010		Issued January 21, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	1.75%	\$ 82,000		\$ 55,000	1.75%	\$ 23,000
2022	1.75	85,000		57,000	1.75	24,000
2023	1.75	88,000		59,000	1.75	24,000
2024	1.75	91,000		60,000	1.75	25,000
2025	1.75	93,000		62,000	1.75	25,000
2026	1.75	97,000		64,000	1.75	26,000
2027	1.75	100,000		67,000	1.75	26,000
2028	1.75	103,000		69,000	1.75	27,000
2029	1.75	106,000		71,000	1.75	27,000
2030	1.75	110,000		-	1.75	28,000
2031	1.75	113,000		-	1.75	29,000
Total		<u>\$1,068,000</u>		<u>\$ 564,000</u>		<u>\$ 284,000</u>

See accompanying independent auditor's report.

Revenue Bonds					
Sewer - SRF		Sewer - SRF		Water-SRF 2010	
Issued March 15, 2007		Issued January 29, 2008		Issued February 10, 2016	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
1.75%	\$ 16,000	1.75%	\$ 45,000	1.75%	\$ 14,000
1.75	17,000	1.75	47,000	1.75	14,000
	18,000	1.75	48,000	1.75	14,000
	18,000	1.75	50,000	1.75	15,000
	19,000	1.75	51,000	1.75	15,000
	19,000	1.75	53,000	1.75	16,000
	-	1.75	55,000	1.75	16,000
	-		-	1.75	17,000
	-		-	1.75	18,000
	-		-	1.75	18,000
	-		-		-
	<u>\$ 107,000</u>		<u>\$ 349,000</u>		<u>\$ 157,000</u>

Revenue Bonds				
Sewer - SRF		Water - SRF		Total
IFA Interim		IFA Interim		
Issued June 30, 2017		Issued June 30, 2017		
Interest Rates	Amount	Interest Rates	Amount	
	\$ 101,250		\$ 101,250	\$ 465,087
	-		-	257,590
	-		-	251,000
	-		-	259,000
	-		-	265,000
	-		-	275,000
	-		-	264,000
	-		-	216,000
	-		-	222,000
	-		-	156,000
	-		-	142,000
	<u>\$ 101,250</u>		<u>\$ 101,250</u>	<u>\$2,772,677</u>

City of Baxter



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Baxter, Iowa (City), as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2021. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. Generally Accepted Accounting Principles. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2019. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Baxter's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as items II-A-20 through II-C-20 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However,

we noted certain immaterial instances or non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Baxter's Responses to the Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
February 17, 2021

CITY OF BAXTER

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - Generally, one or two individuals have control over each of the following areas for the City:

- (1) Cash - preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts - collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements - purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response - The City continuously looking at ways to improve their processes. We have made many changes on segregation of duties and believe we may have a system that would detect errors or misappropriations.

Conclusion - Response accepted.

CITY OF BAXTER

Schedule of Findings - Continued

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements - Continued:

I-B-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk association with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contract with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - The City has hired the auditing firm to prepare these financial statements as indicated above. The City feels its in their best interest to let the Audit firm prepare these statements to allow for greater oversight.

Conclusion - Response acknowledged.

I-C-20 Fund Balance

Criteria - A properly designed system of internal control requires a reconciliation of the total cash and investments to the total funds reported on the City records.

Condition - The total cash and investments on the beginning reconciliation did not match the amounts on the trial balance by \$5,716.72. This was caused by the misposting of nine utility deposits into the wrong year after the bank statement had been reconciled to the City records.

Effect - The City Council can lose confidence in the City records when the fund balance do not reconcile to the cash and investments.

CITY OF BAXTER

Schedule of Findings - Continued

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements - Continued:

I-C-20 Fund Balance - (Continued)

Recommendation - We recommend that City review their controls to insure postings are made to the proper period.

Response - The City will review their procedures as needed.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF BAXTER

Schedule of Findings - Continued

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget - Disbursements during the year ended June 30, 2020 did not exceed amounts budgeted.
- II-B-20 Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-20 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- II-E-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-20 Deposit and Investments - No instances of non-compliance with the deposit and investment provision of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-20 Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.
- II-I-20 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- II-J-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.